GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:724
ANSWERED ON:05.03.2002
DISINVESTMENT OF MODERN FOOD INDUSTRIES
K.H. MUNIYAPPA;MAHBOOB ZAHEDI

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether privatised Modern Food Industries Limited is on the threshold of a turn around;

(b) if so, whether the Government propose to off load its remaining 26 per cent stake in the company;

(c) if so, the facts in this regard;

(d) the present financial status of the company

(e) whether the Hindustan Lever Ltd. which purchased 74 percent of MFIL`s equity, is all set up to buy the remaining share of the Government; and

(f) if so, the details in this regard?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a) The performance of Modern Food Industries (India) Ltd. (MFIL) has significantly improved after disinvestment. Due to investment ir improving the efficiency of the facilities and concerted marketing efforts, the capacity utilisation increased to 53% in the calendar year 2001 from 37% in the previous year.

(b)& (c) The Government has decided to disinvest 26% of its equity held in MFIL in favour of the Strategic Partner, Hindustan Lever Limited (HLL) at the rate at which 74% of MFIL`s shares were transferred to HLL in terms of the Share Purchase Agreement (SPA and Shareholders Agreement (SHA) with HLL.

(d) The 14 bakery units of MFIL sold 2208 lakhs of standard loaves (SL) of 400 grams each in the calendar year 2001 as against 1137 lakhs of SL in the previous year representing an increase of 94%. The net sales revenue of MFIL in the calendar year 2001 has increased to Rs. 229 crores from Rs. 120 crores in the year 2000. The growth in revenues is mainly on account of increase in the volume of sales rather than through major price increases.

(e)&(f) In terms of the SPA/SHA with HLL, after one year from the date of Agreement, the Government has a right to sell all its shares to HLL at Fair Market Value (FMV) of the equity shares and HLL is under obligation to purchase all the shares. The FMV, per equity share, shall be the highest of the values determined on the basis of each of the net asset value, discounted cash flow and the price/earnings multiple valuation methodologies subject to the minimum of Rs. 11,489.56 per share, i.e., the price at which 74% Government equity was initially transferred to HLL.